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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

November 7, 2014

Carl Winters, Mine Manager
Canyon Fuel Company, LLC
HC 35 Box 380
Helper, Utah 84526

Subject: Completion of Midterm Permit Review, Task ID #4657, Canyon Fuel Company, LLC, Skyline Mine, C/007/0005

Dear Mr. Winters:

On September 11, 2014, Canyon Fuel Company, LLC was informed that the Division of Oil, Gas and Mining (the Division) had commenced a midterm permit review for the Skyline Mine.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than December 8, 2014.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5325 or Priscilla Burton at 435-613-3733.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs
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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070005
TaskID: 4657
Mine Name: SKYLINE MINE
Title: MIDTERM PERMIT REVIEW

Environmental Resource Information

Historic and Archeological Resource Information

Deficiencies Details:

The Permittee must provide a written description of how permit section 17 of the permit is being met per R645-300-143. The upcoming 2014 annual report must include information regarding this requirement and how it is being monitored. No action required at this time.

Ireinhart

Fish and Wildlife Resource Information

Deficiencies Details:

R645-301-143, Pursuant to Section 2.2.13 and 4.17 of the MRP, the permittee must provide information regarding subsidence that results in impacts to wildlife. Such information is appropriate in the annual report. No action required at this time but future annual reports need to include, at minimum, a statement regarding measures taken to determine if impacts have been made.

R645-300-143, Pursuant to the MRP (updated 10/22/13), Although overlooked in the "Future Commitments and Conditions" section of the 2013 annual report, Three-toed woodpecker reports are anticipated in the 2014 annual report. No action required at this time.

The Fall 2013 Cutthroat Trout Population Density survey (received 7/21/14) indicated potential impacts of fishing mortality or siltation in the Below Pad station. Recommend consultation with DOGM, DWR, and USFS Biologists' to determine best course of action.

Ireinhart

Reclamation Plan

Bonding Determination of Amount

Deficiencies Details:

R645-301-830.140 Please provide updated information using 2014 unit costs for the line items of Demolition, Regrading/Earthwork, and Revegetation from the current edition of respective cost data manuals. There appears to be an

error in the escalation equation, presumably the year and escalation rate were switched. $\text{Escalated} = (\$(1 + \text{rate})^{\text{year}})$. The revegetation total on the Total summary sheet doesn't match the revegetation subtotal sheet, the total sheet should be fixed to match what the subtotal shows of \$866,367.50.

The total reclamation costs must then be escalated to 2019 using the Division approved 1.019 rate for 2014. The current surety Bond was posted September 19, 2009 for \$5,137,000 (09 Dollars). Bond estimate calculations were updated using the State's 2014 escalation factor of 1.9% calculated from the Historic Cost Index for Site Construction (EscalationMemo2014).

The total disturbed area for the site is now 122.31 acres, since the last review of the Permittee's bond, the Division has reviewed and approved several amendments to the main facilities at Skyline since 2009 including:

- Rail Loadout (Task # 3360)
- Winter Quarters Ventilation Facility (Task # 3416/3463/3504/3549)
- Ambulance shed (Task # 3503)
- Rail Loadout Asphalt and Concrete (Task #3545)
- Winter Quarters Access Road (Task # 3597)
- Incidental Boundary Change (Task #3615/3727)
- Truck Loadout Asphalt(Task # 4706)
- Culvert Replacement (Task#4709)
- Rail Loadout Asphalt (Task #4708)

cparker